

State of California
BOARD OF EQUALIZATION
SALES AND USE TAX REGULATIONS

Regulation 1602. FOOD PRODUCTS

Reference: Sections 6091, 6353 and 6359, Revenue and Taxation Code; California Constitution, Article XIII, Section 34.

(a) IN GENERAL. Tax does not apply to sales of food products for human consumption except as provided in Regulations 1503, 1574, and 1603. (Grocers, in particular, should note that tax applies to sales of "hot prepared food products" as provided in Regulation 1603(e).)

(1) "Food products" include cereal and cereal products, including malt and malt extracts, milk and milk products, including ice cream, ice milk and ice cream and ice milk novelties, sherberts, imitation ice cream and imitation ice milk, dried milk products, sugar of milk, milk shakes, malted milks, and any other similar type beverages composed at least in part of milk or a milk product and requiring the use of milk or a milk product in their preparation, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, including dehydrated vegetables, fruit and fruit products, spices and salt, coffee and coffee substitutes, tea, cocoa and cocoa products, sugar and sugar products, baby foods, bakery products, marshmallows, baking powder, baking soda, cream of tartar, coconut, flavoring extracts, flour, gelatin, jelly powders, mustard, nuts, peanut butter, sauces, soups, syrups (for use as an ingredient of, or upon, food products as defined herein), yeast cakes, olive oil, bouillon cubes, meat extracts, popcorn, honey, jams, jellies, certo, mayonnaise, and flavored ice products, including popsicles and snow cones. "Food products" include candy, confectionery, and chewing gum.

(2) "Food products" include all fruit juices, vegetable juices, and other beverages, whether liquid or frozen, including all beverages composed in part of fruit or vegetable juice and concentrates, powders, or other bases for such beverages, and noncarbonated and noneffervescent bottled water intended for human consumption regardless of the method of delivery. "Food products" does not include carbonated or effervescent bottled waters, spirituous, malt or vinous liquors, or carbonated beverages.

Sales of purified drinking water through vending machines or outlets in retail stores where the water enters the machine or outlet through local supply lines and is dispensed into the customer's own containers are exempt under Revenue and Taxation Code section 6353.

Tax does not apply to sales of water in bulk quantities of 50 gallons or more to an individual for use in a residence when that residence is not serviced by lines, mains or pipes.

(3) "Food products" do not include medicines, cough drops, mineral oils, cigarettes, cigars, tobacco, coloring extract, ice, and dog, cat, bird and other animal foods.

(4) "Food products" do not include any product for human consumption in liquid, powdered, granular, tablet, capsule, lozenge, or pill form (A) which is described on its package or label as a food supplement, food adjunct, dietary supplement, or dietary adjunct, and to any such product (B) which is prescribed or designed to remedy specific dietary deficiencies or to increase or decrease generally one or more of the following areas of human nutrition:

1. Vitamins
2. Proteins
3. Minerals
4. Caloric intake

In determining whether a product falls within category (B), it is important whether the manufacturer has specially mixed or compounded ingredients for the purpose of providing a high nutritional source. For example, protein supplements and vitamin pills are taxable as food supplements.

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Other items, such as cod liver oil, halibut liver oil, and wheat germ oil, are considered dietary supplements and thus subject to tax even though not specially compounded. However, unusual foods such as brewer's yeast, wheat germ and seaweed are not subject to tax except when their label states they are a food supplement or the equivalent. Finally, the compounding of nutritional elements in items traditionally accepted as food does not make them taxable, e.g., vitamin-enriched milk and high protein flour.

Tax, however, does not apply to any such products which either are exempted by Revenue and Taxation Code section 6369, respecting prescription medicines, or are complete dietary foods providing the user in the recommended daily dosage with substantial amounts of vitamins, proteins, minerals and foods providing adequate caloric intake. An example of the latter is a food daily providing the user with the following:

1. 70 grams of high quality protein

2. 900 calories

3. Minimum daily requirements as established by the regulations of the Federal Food and Drug Administration of the following vitamins: A, B1, C, D, Riboflavin, and Niacin or Niacinamide; and the following minerals: Calcium, Phosphorus, Iron and Iodine.

(b) SALES OF COMBINATION PACKAGES. When a package contains both food products (e.g., dried fruit) and nonfood products (e.g., wine or toys), the application of tax depends upon the essential character of the complete package. If more than 10 percent of the retail value of the complete package, exclusive of the container, represents the value of the nonfood products, a segregation must be made if the retailer has documentation that would establish the cost of the individual component parts of the package, with the tax measured by the retail selling price of such nonfood products.

When the retailer does not have documentation that would establish the cost of the individual component parts of the package, and the package consists of nonfood products whose retail selling price would exceed 10 percent of the retail selling price for the entire package, exclusive of the container, the tax may be measured by the retail selling price of the entire package.

If the retail value of the nonfood products is 10 percent or less, exclusive of the container, and the retail value of the container is 50 percent or less of the retail value of the entire package, the selling price of the entire package is not subject to tax.

(c) SALES OF NON-EDIBLE DECORATIONS. When the sale of a cake or other bakery good for a single price includes non-edible decorations, the application of tax depends upon the value of the non-edible merchandise versus the value of the cake or bakery good. If more than 50 percent of the total retail value of the cake or bakery good represents the value of non-edible decorations, a segregation must be made and the tax measured by the retail selling price of such non-edible decorations. If the price of the non-edible decoration is separately stated, then tax applies to such charge.

(d) FOOD PRODUCTS PROCESSED BY THE CONSUMER. A commodity included in the term "food products" under Revenue and Taxation Code section 6359 may be sold to a consumer to be processed and incorporated into a product which is for human consumption but which is excluded from the term "food products." For example, grapes may be sold to be used in making wine for consumption and not for resale. If the commodity sold to the consumer is included in the term "food products" and if the product into which it is incorporated is for human consumption, the sale of the commodity is within the exemption provided by this section.

History: Effective, except as above indicated, July 1, 1935.

Amended August 19, 1953.

Amended September 18, 1963.

Amended September 2, 1965, applicable as amended September 17, 1965.

Amended November 3, 1969, applicable on and after January 1, 1970.

Amended February 18, 1970, applicable on and after January 1, 1970.

Amended and renumbered November 3, 1971, effective December 3, 1971.

Amended December 15, 1971, applicable on and after December 15, 1971.

Amended February 16, 1972, effective March 25, 1972.

Amended May 10, 1973, effective June 23, 1973.

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Amended September 18, 1973, effective October 27, 1973.

Amended June 25, 1981, effective November 1, 1981. Added Section 6359.6 to references; deleted amended effective dates in (a)(1) and (2) and (3). In (a)(2) added exemption for bottled water operative 1/1/81.

Amended March 6, 1985, effective May 31, 1985. Subdivision (a)(2) has been changed to provide that the exemption from tax for the sale of noncarbonated and noneffervescent bottled water shall be expanded to apply to water sold in individual containers of one-half gallon or more in size.

Amended August 1, 1991, effective August 30, 1991. Amended pursuant to Chapter 85, Statutes of 1991, and Chapter 88, Statutes of 1991, to exclude from the definition of "food products" snack foods, as defined, candy, confectionery and nonmedicated gum and to repeal the exemption from tax for sales of noncarbonated and noneffervescent bottled water under certain conditions. Chapter 85, Stats. 1991, repealed the exemption effective July 1, 1991; Chapter 88, Stats. 1991, changed the effective date to July 15, 1991.

Amended September 29, 1994, effective October 29, 1994. Amended to provide that sales of snack foods are not subject to tax effective December 1, 1992; "food products" does not include carbonated or effervescent bottled water but does include noncarbonated and noneffervescent water intended for human consumption regardless of the method of delivery.

Amended March 17, 1999, effective June 12, 1999. New subdivision (c) added, old subdivision (c) renumbered to (d).

Amended August 29, 2006, effective April 7, 2007. Deleted obsolete language in subdivisions (a)(1), (a)(2), (a)(3), and (a)(4) related to the application of tax to snack foods for the period from July 15, 1991 through November 30, 1992. Amended subdivision (b) to provide a clear standard for taxing sales of combination packages that include food and nonfood products sold for a single price.

Regulations are issued by the State Board of Equalization to implement, interpret or make specific provisions of the California Sales and Use Tax Law and to aid in the administration and enforcement of that law. If you are in doubt about how the Sales and Use Tax Law applies to your specific activity or transaction, you should write the nearest State Board of Equalization office. Requests for advice regarding a specific activity or transaction should be in writing and should fully describe the facts and circumstances of the activity or transaction.